

## Message Text

PAGE 01 STATE 180071

73

ORIGIN EB-07

INFO OCT-01 ARA-06 ISO-00 TRSE-00 L-03 CAB-02 CIAE-00

COME-00 DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 SS-15

NSC-05 SSO-00 NSCE-00 INRE-00 USIE-00 /046 R

DRAFTED BY EB/IFD/OMA:MTMINNIES

APPROVED BY EB/IFD/OMA:RJRYAN

ARA/BR/C:DRISCOLL

TREASURY:MCFADDEN

TREASURY:MFIELD

DESIRED DISTRIBUTION

TREASURY,

----- 008052

O 302213Z JUL 75

FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO IMMEDIATE

C O N F I D E N T I A L STATE 180071

E.O. 11652: GDS

TAGS: EFIN

SUBJECT: CIVAIR - RECIPROCAL INCOME TAX EXEMPTION AGREEMENT

1. DEPT. HAS BEEN IN CONTINUOUS CONTACT SINCE JULY 25 WITH CHILEAN EMBASSY WASHINGTON REGARDING GOC PROPOSED CIVAIR AGREEMENT DESCRIBED REFTEL. WE RECEIVED SPANISH LANGUAGE COPY OF BASIC GOC PROPOSAL TO STUDY UNTIL FULL NOTE POUCHED BY POST ARRIVES IN DEPT.

2. WE INFORMALLY INDICATED TO CHILEAN EMBASSY THAT GOC PROPOSAL TO RECIPROCALLY FORGIVE TAX ARREARAGES VIA ARTICLE 6 OF THEIR PROPOSED CIVAIR AGREEMENT OR BY USING JAN. 1, 1971 DATE OF OUR ORIGINAL PROPOSED AGREEMENT, IS CONTRARY TO U.S. POLICY. EVEN IF THIS POLICY COULD BE CHANGED, THE EXECUTIVE BRANCH WOULD NOT HAVE THE AUTHORITY TO PROVIDE FOR CONFIDENTIAL

PAGE 02 STATE 180071

SUCH FORGIVENESS. CONGRESSIONAL APPROVAL WOULD BE REQUIRED IN THAT EVENT, AND PASSAGE WOULD BE VERY UNLIKELY. WE ALSO INDICATED TO GOC EMBASSY THAT WE ARE RELUCTANT TO NEGOTIATE A CIVAIR AGREEMENT AND EXCLUDE MARITIME ACTIVITIES. WE

UNDERSTAND THIS INFO WAS PASSED BACK TO SANTIAGO ON JULY 25.

3. GOC EMBASSY WISHED TO QUICKLY SIGN AN AGREEMENT SINCE THEY UNDERSTOOD IRS TOLD LAN IF THIS WERE DONE BY AUG. 2, BACK TAXES WOULD BE FORGIVEN. EMBASSY SAID LAN RECEIVED NOTICE ON JULY 28 THAT TAXES DUE WITHIN 15 DAYS (BY AUG. 2) WERE: \$840,000 FOR 1972, \$504,000 FOR 1973 AND \$800,000 FOR 1974.

4. IRS DOES NOT BELIEVE THEY MADE STATEMENT ON FORGIVENESS DESCRIBED PARA 3. THEY ARE NOT EMPOWERED TO MAKE A POLICY DETERMINATION ON WHETHER SUCH A PROVISION SHOULD BE INCLUDED IN THE AGREEMENT, BUT WOULD SIMPLY ABIDE BY WHATEVER TERMS WERE REACHED. FURTHERMORE, THEY STATED THAT AS OF JULY 29 NO FINAL DETERMINATION HAD YET BEEN MADE ON THE AMOUNT OF TAXES OWED BY LAN. WE PASSED THIS INFO TO GOC EMBASSY AFTERNOON JULY 30 AND THEIR CHECK WITH LAN LAWYERS IN NEW YORK CONFIRMED LATTER FACT. THIS NOW GIVES US MORE TIME TO CAREFULLY EXPLORE ISSUE.

5. FYI - BEGIN CONFIDENTIAL - IRS INDICATES THEY ARE PRESENTLY AT THE STAGE OF DETERMINING A DEFICIENCY FOR LAN THAT MAY BE ROUGHLY AMOUNT CITED PARA 3. WHEN DETERMINATION IS COMPLETED, A STATUTORY NOTICE OF DEFICIENCY WILL BE ISSUED. IRS HAS AGREED TO INFORM DEPT. WHEN THIS STEP IS TAKEN. LAN THEN HAS 90 DAYS IN WHICH TO CONTEST THE DEFICIENCY IN TAX COURT. IF THEY CHOOSE NOT TO DO SO DURING THIS PERIOD, AN ASSESSMENT OF TAXES DUE AND OWED IS MADE WITHIN THE NEXT 60 DAYS (NORMALLY 2 TO 3 WEEKS). THIS IS

FOLLOWED WITHIN 10 DAYS BY A NOTICE AND DEMAND, WHICH IS

FINALLY FOLLOWED BY A STATUTORY LIEN. DEPT HAS EXPRESSED TO IRS OUR CONCERN IN THIS CASE AND OUR HOPE THAT NO DRASTIC ACTION BE TAKEN AGAINST LAN UNTIL MATTER IS MORE CLOSELY EXAMINED BY STATE AND APPROPRIATE TREASURY OFFICIALS. IRS APPEARS SYMPATHETIC TO FOREIGN POLICY  
CONFIDENTIAL

PAGE 03 STATE 180071

CONSIDERATIONS IN THIS CASE. INGERSOLL

CONFIDENTIAL

<< END OF DOCUMENT >>

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 26 AUG 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CIVIL AVIATION, POLICIES, AVIATION AGREEMENTS, TAX RELIEF  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 30 JUL 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975STATE180071  
**Document Source:** ADS  
**Document Unique ID:** 00  
**Drafter:** EB/IFD/OMA:MTMINNIES  
**Enclosure:** n/a  
**Executive Order:** 11652 GDS  
**Errors:** n/a  
**Film Number:** D750263-0450  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t197507107/baaaaqrz.tel  
**Line Count:** 99  
**Locator:** TEXT ON-LINE, TEXT ON MICROFILM  
**Office:** ORIGIN EB  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 05 SEP 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <05 SEP 2003 by CunninFX>; APPROVED <19 NOV 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** n/a  
**TAGS:** EFIN, EAIR, US, CI  
**To:** SANTIAGO  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006